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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Power International Development Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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## **CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED**

**中國電力國際發展有限公司**

*(incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**(Stock Code: 2380)**

- (1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 100% INTEREST IN WUHU ELECTRIC POWER**
- (2) ISSUE OF SHARES UNDER SPECIAL MANDATE**
- (3) CONTINUING CONNECTED TRANSACTIONS - LISTING RULE 14A.41**
- (4) AMENDMENT OF THE ASSETS MANAGEMENT AGREEMENT**

**Financial Adviser**

**CREDIT SUISSE** 

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**

**Quam**  **華富嘉洛**  
CAPITAL 企業融資

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A letter from the Board is set out on pages 5 to 17 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 18 to 19 of this circular. A letter from Quam Capital containing its advice to the Independent Board Committee is set out on pages 20 to 44 of this circular.

A notice convening an EGM to be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 15 November 2013 at 11:00 a.m. is set out on pages 51 to 52 of this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

30 October 2013

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:*

“Acquisition”	the proposed acquisition by the Company of the Equity Interest pursuant to the Acquisition Agreement, as further described in this circular
“Acquisition Agreement”	the acquisition agreement dated 12 October 2013 entered into by the Company and CPI Holding in relation to the Acquisition
“Assets Management Agreement”	the agreement entered into by the Company, CPI Group and CPI Holding on 27 August 2004 pursuant to which the Company manages certain power plants for CPI Holding as amended by the subsequent supplemental management agreements
“Associates”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Business Day”	any normal working day other than a Saturday, Sunday or a statutory holiday in the PRC or Hong Kong
“Chairman”	the chairman of the Board
“China Coal Energy”	China Coal Energy Company Limited* (中國中煤能源股份有限公司), a joint stock company incorporated in the PRC with limited liability whose shares are listed on the Stock Exchange and the Shanghai Stock Exchange
“Company”	China Power International Development Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion Date”	a date within 20 Business Days or other date as agreed by the parties upon fulfilment of all the conditions precedent of the Acquisition Agreement
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Consideration Shares”	the 541,710,619 new Shares to be allotted and issued to CPI Holding at HK\$2.88 per Share as part of the consideration pursuant to the Acquisition Agreement

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## DEFINITIONS

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“CPDL”	China Power Development Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CPI Holding, which directly holds approximately 34.37% of the equity interest in the Company as at the Latest Practicable Date
“CPI Group”	China Power Investment Corporation* (中國電力投資集團公司), the ultimate controlling company of the Company and a wholly State-owned enterprise established by the State Council of the PRC* (中華人民共和國國務院)
“CPI Holding”	China Power International Holding Limited, a company incorporated in Hong Kong with limited liability, the controlling company of the Company and a wholly-owned subsidiary of CPI Group
“CR Power”	China Resources Power Holdings Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Datang”	Datang International Power Generation Co., Ltd., a sino-foreign joint stock limited company incorporated in the PRC, whose H shares are listed on the Main Board of the Stock Exchange and the London Stock Exchange and whose A shares are listed on the Shanghai Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder
“Enlarged Group”	the Group as enlarged by the Acquisition
“Equity Interest”	100% of the equity interest in Wuhu Electric Power to be sold by CPI Holding pursuant to the Acquisition Agreement
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“Huadian”	Huadian Power International Corporation Limited* (華電國際電力股份有限公司), a sino-foreign investment joint stock company limited by shares incorporated in the PRC, whose H shares and A shares are listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange respectively
“Huainan Mining”	Huainan Mining Industry (Group) Company Limited* (淮南礦業(集團)有限責任公司)
“Huaneng”	Huaneng Power International, Inc., a sino-foreign joint stock limited company incorporated in the PRC, whose H shares, American Depositary Shares and A shares of which are listed on the Main Board of the Stock Exchange, the New York Stock Exchange Inc. and the Shanghai Stock Exchange respectively
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Kwong Che Keung, Gordan, Li Fang and Tsui Yiu Wa, Alec
“Independent Shareholder(s)”	Shareholder(s) of the Company other than CPI Holding, CPDL and their Associates
“Latest Practicable Date”	25 October 2013
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatt, that is, one million watts, a standard unit of the installed capacity of a power plant
“MWh”	megawatt-hour, which is equal to one thousand kilowatt-hour, a standard unit of energy used in the electric power industry
“percentage ratio(s)”	the percentage ratio(s) set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC” or “China”	the People’s Republic of China, not including Taiwan, Hong Kong and Macau Special Administrative Region of the People’s Republic of China
“Quam Capital”	Quam Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Acquisition
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“Seventh Supplemental Assets Management Agreement”	the seventh supplemental agreement to the Assets Management Agreement entered into between the Company and CPI Holding on 17 December 2012
“SFO”	the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)
“Shanghai Chinacoal East China”	Shanghai Chinacoal East China Company Limited* (上海中煤華東有限公司), a wholly-owned subsidiary of China Coal Energy incorporated in the PRC with limited liability
“Share(s)”	the share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	person(s) whose name(s) appear on the register of members of the Company as registered holder(s) of Share(s)
“Special Mandate”	the special mandate to authorise the Directors to allot and issue Shares to be sought from the Independent Shareholders at the EGM to satisfy the allotment and issue of the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“Wuhu Electric Power”	Wuhu Electric Power Generating Company Limited* (蕪湖發電有限責任公司), a wholly foreign-owned enterprise incorporated in the PRC with limited liability and a wholly-owned subsidiary of CPI Holding
“Wuhu Group”	Wuhu Electric Power and its sole and wholly-owned subsidiary, Wuhu Shaoda
“Wuhu Shaoda”	Wuhu Shaoda Power Development Company Limited* (蕪湖兆達電力開發有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Wuhu Electric Power
“%”	per cent

*This circular contains translation between Renminbi and Hong Kong dollars at RMB0.79 to HK\$1.00. The translation shall not be taken as representation that the Renminbi could actually be converted into Hong Kong dollars at that rate, or at all.*

*\* The English translation of the Chinese name is for identification purpose only.*

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LETTER FROM THE BOARD

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**CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED**

**中國電力國際發展有限公司**

*(incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**(Stock Code: 2380)**

*Executive Directors:*

Ms. LI Xiaolin (*Chairman and Chief Executive Officer*)  
Mr. GU Dake (*President*)

*Registered Office:*

Suite 6301, 63/F., Central Plaza  
18 Harbour Road,  
Wanchai, Hong Kong

*Non-executive Directors:*

Mr. GUAN Qihong  
Mr. WANG Zichao

*Independent Non-executive Directors:*

Mr. KWONG Che Keung, Gordon  
Mr. LI Fang  
Mr. TSUI Yiu Wa, Alec

30 October 2013

*To the Shareholders,*

Dear Sir,

- (1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 100% INTEREST IN WUHU ELECTRIC POWER**
- (2) ISSUE OF SHARES UNDER SPECIAL MANDATE**
- (3) CONTINUING CONNECTED TRANSACTIONS - LISTING RULE 14A.41**
- (4) AMENDMENT OF THE ASSETS MANAGEMENT AGREEMENT**

**I. INTRODUCTION**

Reference is made to the announcement of the Company dated 14 October 2013 in which the Company announced that it entered into the Acquisition Agreement with CPI Holding, pursuant to which the Company conditionally agreed to acquire and CPI Holding conditionally agreed to sell 100% of the equity interest in Wuhu Electric Power, a company principally engaged in electricity generation in Anhui Province, the PRC. The consideration is RMB1,450,000,000 (equivalent to approximately HK\$1,835,443,038).

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from Quam Capital to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM.

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## LETTER FROM THE BOARD

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### II. THE ACQUISITION AGREEMENT

#### 1. Principal terms of the Acquisition Agreement

Date: 12 October 2013

Parties: (i) CPI Holding (as the seller)  
(ii) The Company (as the purchaser)

#### 2. Target to be acquired

The Company has conditionally agreed to acquire from CPI Holding 100% of the equity interest in Wuhu Electric Power as at the date of the Acquisition Agreement. Further details of the Wuhu Group are set out in the section headed “Information on the Wuhu Group” below.

The Company shall be entitled to exercise all rights attached or accruing to the Equity Interest including, without limitation, the right to receive all dividends, distributions or any return of capital declared, paid or made by Wuhu Electric Power on or after 1 July 2013.

#### 3. Consideration and payment terms

The consideration for the Acquisition is RMB1,450,000,000 (equivalent to approximately HK\$1,835,443,038).

The consideration was determined based on arm’s length negotiations between the Company and CPI Holding under the Acquisition Agreement. A number of factors were considered by the parties when determining the consideration of the Acquisition Agreement, including, among other things, (i) the price to earnings ratios of comparable companies listed on and/or transactions published through the Stock Exchange (namely Huaneng, Datang, Huadian and CR Power which are state-controlled companies and are principally engaged in coal-fired power generation in PRC; their price to earnings ratios ranged from approximately 9.24 to approximately 16.28 times on 11 October 2013); (ii) the profitability of the Wuhu Group; (iii) the potential growth and prospects of the Wuhu Group; and (iv) the terms of the Acquisition Agreement.

The consideration is to be satisfied as to 85% thereof (or RMB1,232,500,000) by the issue of the Consideration Shares (discussed further in section 4 “Consideration Shares” below) and as to 15% thereof (or RMB217,500,000) by way of payment of cash, both on the Completion Date. The Company proposes to fund the cash portion of the consideration out of its internal resources.

The Directors (including the independent non-executive Directors) are of the view that the consideration for the purchase of the Equity Interest and the other terms of the Acquisition Agreement are fair and reasonable, on normal commercial terms and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

#### 4. Consideration Shares

The issue price of the Consideration Shares is HK\$2.88, being the average of the closing share price as quoted on the Stock Exchange for the 30 trading days prior to (but excluding) the date of the Acquisition Agreement.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, there are 5,808,680,502 Shares in issue. The total number of the Consideration Shares to be issued represents approximately 9.33% of the existing issued share capital and 8.53% of the enlarged issued share capital of the Company.

The Consideration Shares, when issued, will rank pari passu in all respects with the Shares on the date of the issue of Consideration Shares.

### 5. Conditions precedent of the Acquisition Agreement

Completion of the Acquisition Agreement is conditional upon satisfaction of, among other things, the following conditions on or before 30 September 2014 or any other date as agreed by the parties:

- (i) the completion of commercial, financial and legal due diligence on assets and liabilities, business and prospects of the Wuhu Group to the reasonable satisfaction of the Company;
- (ii) the obtaining of all necessary pre-approvals for the Acquisition from the government departments (other than the administrative procedures which can only be carried out at or after the completion of the Acquisition);
- (iii) the approval by the board of directors of Wuhu Electric Power of the transfer of Equity Interest under the Acquisition Agreement;
- (iv) the obtaining of approval from CPI Holding's parent, CPI Group, of the Acquisition Agreement and the transactions completed thereunder;
- (v) the passing of an ordinary resolution by the Independent Shareholders approving the Acquisition Agreement and the transactions completed thereunder;
- (vi) the passing of an ordinary resolution by the Independent Shareholders approving the grant of the Special Mandate;
- (vii) there not having been any material adverse change to the financial condition, business operations or prospects of the Wuhu Group since 30 June 2013;
- (viii) the warranties and representations made by CPI Holding are true and accurate and not misleading in any material respect at the time of the completion of the Acquisition;
- (ix) the warranties and representations made by the Company are true and accurate and not misleading in any material respect at the time of completion of the Acquisition; and
- (x) the completion of all relevant legal documentation for the Acquisition in form satisfactory to both the Company and CPI Holding.

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## LETTER FROM THE BOARD

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### 6. Board representation

Upon completion of the Acquisition, the Company will have the power to appoint all of the directors of the board of Wuhu Electric Power in accordance with PRC laws.

### 7. Completion

Completion will take place within 20 Business Days or on a date as agreed by the parties upon fulfilment of all the above conditions precedent (the last day on which all the conditions must be satisfied being 30 September 2014 or any other date as agreed by the parties).

### 8. Termination

The Company may terminate the Acquisition Agreement by written notice to CPI Holding if prior to completion of the Acquisition:

- (i) there has been any material breach of the Acquisition Agreement by CPI Holding;
- (ii) there has been any material breach of the warranties and representations made by CPI Holding; or
- (iii) there has been or may be any material adverse effect to the business, financial position or prospects of Wuhu Electric Power.

CPI Holding may terminate the Acquisition Agreement by written notice to the Company if prior to completion of the Acquisition:

- (i) there has been any material breach of the Acquisition Agreement by the Company; or
- (ii) there has been any material breach of the warranties and representations made by the Company.

## III. REASONS FOR AND BENEFITS OF THE ACQUISITION

After the completion of the Acquisition, the attributable installed capacity of the Group as of 30 June 2013 will increase from approximately 12,963MW to approximately 14,283MW. Wuhu Electric Power has two environmental friendly and energy-saving ultra super-critical coal-fired generating units, each with a capacity of 660MW. Made by advanced technology, these units have a long service life and a good operational track record. It is the Company's development strategy to promote and expand large-capacity and high-parameter coal-fired power generation unit projects. The Company believes that its business will be enhanced through the Acquisition which would help expand its operational scale and improve the quality of its assets.

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## LETTER FROM THE BOARD

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According to the notification issued by the National Development and Reform Commission on 30 September 2013 in connection with the adjustments of on-grid tariffs, the desulphurization on-grid tariff of Wuhu Electric Power has been lowered by RMB14.9 per MWh, from RMB436.0 per MWh to RMB421.1 per MWh. Other than the adjustments on the on-grid tariffs, the denitration tariff subsidy for Wuhu Electric Power has been increased from RMB8 per MWh to RMB10 per MWh and a dedusting tariff subsidy for Wuhu Electric Power of RMB2 per MWh has also been introduced. Wuhu Shaoda will also be impacted by the adjustments of on-grid tariffs; its on-grid tariff has been lowered by RMB14.9 per MWh, from RMB461.0 per MWh to RMB446.1 per MWh. This will consequently affect the compensation to be received by Wuhu Shaoda (for further details regarding the compensation arrangement, please refer to the section below) since the compensation payment is linked to the on-grid tariff applicable to Wuhu Shaoda.

Although there is a reduction in tariff, the Company has taken into account the potential impact when determining the consideration for acquiring Wuhu Electric Power. The Company believes that the comparable companies' share prices and corresponding price to earnings ratios which were considered by the parties when determining the consideration under the Acquisition Agreement reflected the impact of the tariff adjustment given that the comparable companies had already published announcements relating to the tariff adjustment. The Company believes that Wuhu Electric Power's profitability should remain strong taking into account, among other factors, the coal price, its operational efficiency and its total power generation.

Wuhu Electric Power has achieved strong financial performance in year 2012 and the first half of 2013 since its two high capacity power generating units commenced full operation. During this period, the average utilisation hours of its power generating units out-performed those of the other generating units in the same region. The Company believes that the Acquisition will enhance the Company's overall profitability, return on equity and capital structure.

The Acquisition also allows the Company to strengthen its presence in the power generation market in Anhui Province, a region with high economic growth prospects in recent years with potential increase in demand for electricity.

Based on the above factors, the Directors (including the independent non-executive Directors) consider that the Acquisition will be beneficial to the Company and will have a positive impact on the Company's future prospects, thus benefiting the Company and the Shareholders as a whole.

#### **IV. INFORMATION ON THE WUHU GROUP**

Wuhu Electric Power is a wholly-owned subsidiary of CPI Holding. It was incorporated in the PRC in November 2003 as a foreign investment enterprise with limited liability and a registered capital of US\$142,500,000.

It currently holds two 660MW ultra super-critical coal-fired power generating units located in Wuhu City of Anhui Province in the PRC, which commenced commercial operation in December 2010 and December 2011, respectively. All electricity generated by Wuhu Electric Power is sold to the State Grid Corporation of China. As of 30 June 2013, there were approximately 1,300 employees based on the internal records of Wuhu Electric Power.

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## LETTER FROM THE BOARD

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Wuhu Electric Power has only one subsidiary, Wuhu Shaoda, which is wholly-owned by Wuhu Electric Power. Its two 125MW coal-fired generating units ceased operation in July 2010 in order to meet the “Big Replaces Small” policy requirements of the National Development and Reform Commission. In return for the shutting down of the two small capacity generating units, Wuhu Shaoda received a 3-year compensation payment from 2011 to 2013. Wuhu Shaoda will be dissolved after the expiry of the compensation period at the end of 2013.

Wuhu Electric Power is located in the power grid load centre of Anhui Province in the PRC. In the first half of 2013, the total amount of electricity generated by Wuhu Electric Power was approximately 3,758,000MWh. The average utilisation was approximately 2,847 hours, 164 hours higher than that for coal-fired power generating units in Anhui Province, and 110 hours higher than that for similar generating units in the region. Wuhu Electric Power is currently at the preliminary stage of expanding its construction project in relation to the two 1,000MW ultra super-critical coal-fired power generating units.

Set out below are extracts of Wuhu Electric Power, Wuhu Shaoda and Wuhu Group’s gross power generation and total electricity sold in 2011, 2012 and the first half of 2013:

	2011		2012		2013 (six months ended 30 June 2013)	
	Gross power generation	Total electricity sold	Gross power generation	Total electricity sold	Gross power generation	Total electricity sold
	<i>(100,000 MWh)</i>	<i>(100,000 MWh)</i>	<i>(100,000 MWh)</i>	<i>(100,000 MWh)</i>	<i>(100,000 MWh)</i>	<i>(100,000 MWh)</i>
Wuhu Electric Power	41.7	39.8	75.6	72.4	37.6	35.9
Wuhu Shaoda	0	0	0	0	0	0
Wuhu Group	41.7	39.8	75.6	72.4	37.6	35.9

In recent years, Anhui Province has experienced relatively rapid economic growth with potential increase in demand for electricity. In the first half of 2013, 69,340,000MWh of electricity was consumed in Anhui Province, representing a year-on-year increase of 8.3%. Comparing this figure with the year-on-year increase in electricity consumption in the PRC during the same period, which was 5.1%, the electricity demand in Anhui Province indicated greater growth than the other parts of the country. The total installed capacity for Anhui Province was 36,553MW (including the power generating units from Anhui Province to Eastern China), in which coal-fired electricity generating units accounted for 32,077MW. The average utilisation of coal-fired electricity generating facilities of Anhui Province in the first half of 2013 was 2,683 hours, which was relatively higher than the country’s overall average utilisation of 2,412 hours for coal-fired electricity generating units during the same period.

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## LETTER FROM THE BOARD

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Set out below are extracts of the Wuhu Group's consolidated financial statements for each of the years ended 31 December 2011 and 2012 and each of the six months ended 30 June 2012 and 2013 which were prepared based on the accounting principles generally accepted in the PRC:

*Extracts of consolidated income statements of the Wuhu Group*

	<b>For six months</b>		<b>For the year ended</b>	
	<b>ended 30 June</b>		<b>31 December</b>	
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>	<i>Audited</i>
Revenue	1,424,480	1,214,810	2,949,228	1,571,040
Profit/(loss) before and after taxation (attributable to shareholders of Wuhu Electric Power)	161,853	(21,382)	176,554	(81,471)

*Extracts of consolidated balance sheets of the Wuhu Group*

	<b>As at 30 June</b>		<b>As at 31 December</b>	
	<b>2013</b>		<b>2012</b>	
	<i>RMB'000</i>		<i>RMB'000</i>	
	<i>Audited</i>		<i>Audited</i>	
Total assets	4,819,408	5,101,406	5,272,766	
Net asset value	754,092	663,033	616,494	

The principal reasons for the increase in revenue of the Wuhu Group in 2012 compared to 2011, among others, are:

- (i) The second generating unit of the Wuhu Group commenced operation at the end of 2011. This led to an increase of 604MW in the annual average capacity and an increase of 3,259,000MWh in the gross power generation.
- (ii) The on-grid tariffs for electricity in Anhui Province were adjusted upwards for 3 times in April, June and December of the year 2011 respectively. Hence, the average on-grid tariffs in 2012 increased by RMB 31.1 per MWh when compared to the average on-grid tariffs in 2011.

The principal reasons for the decrease in total assets of the Wuhu Group as of June 2013 compared to December 2011, among others, are:

- (i) Pursuant to the notice promulgated by the Ministry of Finance "Notice on financial issues relating to the elimination of high energy consumption, high pollution and backward production facilities" (No. 198 [2007] of the Ministry of Finance)\* (《關於淘汰高能耗高污

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## LETTER FROM THE BOARD

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染行業落後生產設備設施有關財務問題的通知》(財企[2007]第198號), CPI Wuhu Power Generating Company Limited\* (中電國際(蕪湖)發電有限責任公司), wholly-owned by Wuhu Electric Power, was dissolved at the end of 2012 and this reduced the size of long-term equity investment on Wuhu Electric Power's balance sheet.

- (ii) Loans were repaid by Wuhu Electric Power after commercial operations, thus its cash account was reduced.

As of 30 June 2013, Wuhu Electric Power owed CPI Holding an outstanding amount of approximately RMB93,950,000 (the “**Wuhu Electric Power Debt**”). The parties have agreed that the Wuhu Electric Power Debt will be repaid by Wuhu Electric Power before the completion of the Acquisition unless agreed otherwise.

### V. INFORMATION ON THE COMPANY, CPI HOLDING AND CPI GROUP

The Company is the listed flagship company of CPI Group outside the PRC. The principal business of the Group is to develop, construct, own, operate and manage large power plants in the PRC. The Company owns and operates high-capacity coal-fired power plants and hydro-power plants. The Company also manages on behalf of its controlling shareholder two other power plants in the PRC, one of which is Wuhu Electric Power.

CPI Holding is a Hong Kong incorporated company focusing on power-related assets investment and development in China and abroad. CPI Group is one of the five state-owned power generation groups in China, and operates coal-fired, hydropower and nuclear power plants in various locations in the PRC. CPI Holding is wholly-owned by CPI Group. As at the Latest Practicable Date, CPI Group, through CPI Holding, owns approximately 60.76% of the issued share capital of the Company as at the date of the Latest Practicable Date.

### VI. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY AS A RESULT OF THE ISSUE OF CONSIDERATION SHARES

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and the possible shareholding structure immediately after the allotment and issue of Consideration Shares.

Shareholders	As at the Latest Practicable Date		Upon allotment and issue of the Consideration Shares on the assumption as set out in Note 1	
	Number of Shares	%	Number of Shares	%
CPDL	1,996,500,000	34.37	1,996,500,000	31.44
CPI Holding (Note 2)	3,529,327,927	60.76	4,071,038,546	64.11
CPI Group (Note 3)	3,529,327,927	60.76	4,071,038,546	64.11
Public	<u>2,279,352,575</u>	<u>39.24</u>	<u>2,279,352,575</u>	<u>35.89</u>
Total	<u>5,808,680,502</u>	<u>100</u>	<u>6,350,391,121</u>	<u>100</u>

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## LETTER FROM THE BOARD

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*Notes:*

1. Assuming none of the share options and convertible bonds is exercised on or before the date of the allotment and issue of the Consideration Shares. As at the Latest Practicable Date, the Company has 37,730,900 new Shares which may be issued pursuant to the outstanding share options and 924,874,161 new Shares which may be issued pursuant to the outstanding convertible bonds based on the current conversion price.
2. As at the Latest Practicable Date, CPI Holding is the beneficial owner of 1,532,827,927 Shares. Further, CPI Holding is the beneficial owner of CPDL and therefore CPI Holding is deemed to be interested in Shares owned by CPDL for the purposes of the SFO.
3. CPI Group is the beneficial owner of CPI Holding and therefore CPI Group is deemed to be interested in the Shares owned by CPI Holding for the purposes of the SFO.

### VII. LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Acquisition is over 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Furthermore, as CPI Holding is the controlling shareholder of the Company interested in approximately 60.76% of the issued share capital, the Acquisition also constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. Thus, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to the approval of the Independent Shareholders at the EGM.

Credit Suisse (Hong Kong) Limited is the financial adviser to the Company.

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, apart from CPI Holding, CPDL and their Associates, no other Shareholder will be required to abstain from voting on the resolution for approving the Acquisition at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors, namely, Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec, has been formed to consider the Acquisition, and Quam Capital has been appointed as the Company's independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition Agreement are fair and reasonable and whether the Acquisition is in the interests of the Company and the Shareholders as a whole.

None of the Directors have a material interest in the Acquisition and therefore none of them are required to abstain from voting on the board resolution in relation to the Acquisition.

### VIII. GRANT OF SPECIAL MANDATE

The Directors will seek the approval of the Independent Shareholders for the grant of the Special Mandate to authorise the Directors to allot and issue the Consideration Shares at the EGM.

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## LETTER FROM THE BOARD

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### IX. CONTINUING CONNECTED TRANSACTIONS UNDER LISTING RULE 14A.41

Wuhu Electric Power will become part of the Enlarged Group upon completion of the Acquisition. As a result, the coal supply agreements between Wuhu Electric Power and connected persons of the Company (namely Huainan Mining and Shanghai Chinacoal East China) entered into prior to completion of the Acquisition will become continuing connected transactions for the Company upon completion of the Acquisition. Details of these coal supply agreements are as follows:

#### (1) Huainan Mining Coal Supply Agreement

On 1 January 2013, Wuhu Electric Power entered into a coal supply agreement with Huainan Mining Group in relation to the supply of coal (“**Huainan Mining Coal Supply Agreement**”). Subsequently, the two parties entered into a supplementary agreement (“**Huainan Mining Coal Supply Supplementary Agreement**”) on 24 January 2013. The principal terms of the Huainan Mining Coal Supply Agreement, as supplemented by the Huainan Mining Coal Supply Supplementary Agreement, are set out below.

Date: 1 January 2013 (Huainan Mining Coal Supply Agreement), as amended by the Huainan Mining Coal Supply Supplementary Agreement dated 24 January 2013

Parties: (i) Wuhu Electric Power (as the purchaser)  
(ii) Huainan Mining (as the supplier)

Term: One year from 1 January 2013 to 31 December 2013

Total quantity of coal to be supplied: 400,000 tonnes

Consideration: RMB226,000,000

Payment terms: Payments to be settled in cash in two equal amounts in the middle and at the end of each month.

The terms of the Huainan Mining Coal Supply Agreement were arrived at after arm’s length negotiations between Wuhu Electric Power and Huainan Mining. The price is the same as that offered by Huainan Mining to other third party purchasers for its long-term supply agreements.

Huainan Mining is a substantial shareholder of Huanggang Dabieshan Power Company Limited\* (黃岡大別山發電有限責任公司) and Huainan Pingwei No. 2 Electric Power Co., Ltd., both of which are subsidiaries of the Company. Therefore, Huainan Mining is a connected person of the Company at the subsidiary level under the Listing Rules. As a result of the completion of the Acquisition, the transactions contemplated under the Huainan Mining Coal Supply Agreement will become continuing connected transactions of the Company.

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## LETTER FROM THE BOARD

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### (2) Shanghai Chinacoal East China Coal Supply Agreement

On 1 January 2013, Wuhu Electric Power entered into a coal supply agreement with Shanghai Chinacoal East China in relation to the supply of coal (“**Shanghai Chinacoal East China Coal Supply Agreement**”). The principal terms of the Shanghai Chinacoal East China Coal Supply Agreement are set out below.

Date: 1 January 2013

Parties: (i) Wuhu Electric Power (as the purchaser)  
(ii) Shanghai Chinacoal East China (as the supplier)

Term: One year from 1 January 2013 to 31 December 2013

Total quantity of coal to be supplied: 400,000 tonnes

Consideration: RMB220,000,000

Payment terms: Prepayment must be made before the cargo vessel arrives at the port of loading. In the event that the prepayment exceeds the actual settlement amount, Shanghai Chinacoal East China is required, subject to the request of Wuhu Electric Power, refund the amount in excess to the original payment account or directly set-off the excessive amount against the amount of next shipment. If the actual settlement amount exceeds the prepayment, Wuhu Electric Power is required to make up for the shortfall within seven working days upon the departure of the cargo vessel from the port of loading.

The terms (including the price) of the Shanghai Chinacoal East China Coal Supply Agreement were arrived at after arm’s length negotiations between Wuhu Electric Power and Shanghai Chinacoal East China with reference to the Bohai-Rim Steam-Coal Price Index and taking into account the quality of coal.

As China Coal Energy is a substantial shareholder of China Power Shentou Power Generating Company Limited, a 80%-owned subsidiary of the Company, it is a connected person of the Company at the subsidiary level under the Listing Rules. Given that Shanghai Chinacoal East China is a subsidiary of China Coal Energy, it is also a connected person of the Company. As a result of the completion of the Acquisition, the transactions contemplated under the Shanghai Chinacoal East China Coal Supply Agreement will become continuing connected transactions of the Company.

The Directors (including the independent non-executive Directors) are of the view that the Huainan Mining Coal Supply Agreement and the Shanghai Chinacoal East China Coal Supply Agreement were entered into in the ordinary course of the Company’s business, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### X. AMENDMENT OF THE ASSETS MANAGEMENT AGREEMENT

Reference is made to the announcement of the Company dated 17 December 2012 in relation to the Seventh Supplemental Assets Management Agreement between the Company and CPI Holding, pursuant to which, amongst other things, the Company manages power plants of Liaoning Qinghe Electric Power Company Limited and Wuhu Electric Power for CPI Holding in return for a management fee, which constitutes a continuing connected transaction of the Company. Under the above agreement, the total installed capacity of the managed power plants was revised to 2,920MW and the management cost was revised to RMB5,600 per MW.

Given that Wuhu Electric Power will become part of the Enlarged Group upon completion of the Acquisition, the Company expects to amend the Assets Management Agreement further after completion of the Acquisition to reflect the fact the Asset Management Agreement will no longer need to cover the management by the Company of Wuhu Electric Power on behalf of CPI Holding. After completion of the Acquisition, the Company will, if and when necessary under the Listing Rules, publish a further announcement in relation to the above amendment of the Assets Management Agreement.

Subsequent to the completion of the Acquisition, the Company will publish further announcements, if and when necessary, in respect of any non-exempted continuing connected transactions as required by the Listing Rules.

### XI. EGM

An EGM is currently scheduled to be held on 15 November 2013 during which an ordinary resolution will be proposed to the Shareholders to approve (i) the Acquisition Agreement and the transactions contemplated thereunder and (ii) the Special Mandate. CPI Holding, CPDL and their Associates, being connected persons in respect of the Acquisition, will abstain from voting on the ordinary resolution to approve (i) the Acquisition Agreement and the transaction contemplated thereunder and (ii) the Special Mandate. Any vote of the Independent Shareholders at the EGM will be taken by poll.

### XII. GENERAL

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

**As completion of the Acquisition is subject to the fulfilment of the conditions set out in the Acquisition Agreement, the Acquisition may or may not proceed. Investors should exercise caution when dealing in the Shares. When in doubt, investors are recommended to consult their professional adviser(s).**

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## LETTER FROM THE BOARD

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### XIII. RECOMMENDATION

The Directors consider that (i) the Acquisition Agreement and the transactions contemplated thereunder and (ii) the Special Mandate are in the interests of the Company and the Shareholders as a whole, and the terms and transactions contemplated in each of which are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition, the transactions contemplated thereunder and the Special Mandate.

### XIV. ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the Appendix to this circular.

*\* English translation is for identification only.*

By order of the Board  
**China Power International Development Limited**  
**LI Xiaolin**  
*Chairman*

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED**

**中國電力國際發展有限公司**

*(incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**(Stock Code: 2380)**

*Independent Board Committee*

Mr. KWONG Che Keung, Gordon

Mr. LI Fang

Mr. TSUI Yiu Wa, Alec

30 October 2013

*To the Independent Shareholders,*

Dear Sir/Madam,

- (1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 100% INTEREST IN WUHU ELECTRIC POWER**
- (2) ISSUE OF SHARES UNDER SPECIAL MANDATE**
- (3) CONTINUING CONNECTED TRANSACTIONS - LISTING RULE 14A.41**
- (4) AMENDMENT OF THE ASSETS MANAGEMENT AGREEMENT**

We refer to the circular (the “**Circular**”) dated 30 October 2013 issued by the Company to the Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

On 14 October 2013, the Board announced (i) the proposed acquisition of Wuhu Electric Power from CPI Holding, and (ii) the proposed issue of Shares under the Special Mandate.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to make a recommendation to the Independent Shareholders as to whether, in its view, the terms of Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Quam Capital has been appointed as independent financial adviser to advise the Independent Board Committee and Independent Shareholders on the fairness and reasonableness of the terms of the Acquisition.

The terms and reasons for the Acquisition are summarized in the letter from the Board set out on pages 5 to 17 of the Circular.

We also draw your attention to the letter from Quam Capital in the Circular containing the advice of Quam Capital in respect of the Acquisition.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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As your Independent Board Committee, we have discussed with the management of the Company the reasons for the Acquisition and the basis upon which its terms have been determined. We have also considered the key factors taken into account by Quam Capital in arriving at its opinion regarding the terms of the Acquisition as set out in the letter from Quam Capital on pages 20 to 44 of the Circular, which we urge you to read carefully.

The Independent Board Committee, after taking into account, among other things, the views of Quam Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, considers that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution set out in the Notice of the EGM at the end of the Circular.

Yours faithfully,

For and on behalf of the  
*Independent Board Committee*  
**China Power International Development Limited**

**Mr. KWONG Che Keung, Gordon**  
**Mr. LI Fang**  
**Mr. TSUI Yiu Wa, Alec**

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## LETTER FROM QUAM CAPITAL

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*The following is the full text of a letter of advice from Quam Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.*



**Quam Capital Limited**

A Member of The Quam Group

30 October 2013

*To the Independent Board Committee and the Independent Shareholders*

China Power International Development Limited  
Suite 6301, 63/F., Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 100% INTEREST IN WUHU ELECTRIC POWER**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the “Letter from the Board” contained in the circular (the “**Letter from the Board**”) issued by the Company to the Shareholders dated 30 October 2013 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

On 12 October 2013, the Company entered into the Acquisition Agreement with CPI Holding, pursuant to which the Company conditionally agreed to acquire and CPI Holding conditionally agreed to sell 100% of the equity interest in Wuhu Electric Power at a consideration of RMB1,450,000,000 (equivalent to approximately HK\$1,835,443,038) which is to be satisfied as to 85% thereof by the issue of the Consideration Shares and as to 15% thereof by way of payment of cash, both on the Completion Date. CPI Holding is the controlling shareholder of the Company interested in approximately 60.76% of the total issued share capital of the Company as at the Latest Practicable Date. Accordingly, CPI Holding is a connected person of the Company pursuant to the Listing Rules. As such, the Acquisition constitutes a connected transaction of the Company and is subject to the approval of the Independent Shareholders at the EGM by way of poll.

Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Tsui Yiu Wa, Alec, all being the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable so far as the

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## LETTER FROM QUAM CAPITAL

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Independent Shareholders are concerned and whether the Acquisition is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

Quam Capital is independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates, and is accordingly qualified to give independent advice in respect of the Acquisition.

### **BASIS OF OUR OPINION**

In formulating our recommendation, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Company and its advisers; (iii) the opinions expressed by and the representations of the Directors and management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects at the date thereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group and the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations regarding the Group and the Acquisition provided to us by the Company and/or the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of any member of the Group, CPI Holding, CPI Group, the Wuhu Group or any of their respective subsidiaries and associates.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendation, we have taken into consideration of the following factors and reasons:

#### **1. Backgrounds of and reasons for the Acquisition**

##### **1.1 *Background of the Group, CPI Holding, CPI Group and the Wuhu Group***

The Company is the listed flagship company of CPI Group outside the PRC. The principal business of the Group is to develop, construct, own, operate and manage large power plants in the

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## LETTER FROM QUAM CAPITAL

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PRC. The Company owns and operates high-capacity coal-fired power plants and hydro-power plants. The Company also manages on behalf of CPI Holding two other power plants in the PRC, one of which is Wuhu Electric Power. Based on the annual report of the Company for the year ended 31 December 2012 (“**2012 Annual Report**”), the Group owned power plants in Shanxi Province, Hunan Province, Hubei Province, Jiangsu Province, Sichuan Province, Henan Province, Guangdong Province and Anhui Province of the PRC, and managed power plants in Anhui Province and Liaoning Province of the PRC. Based on the interim report of the Company for the six months ended 30 June 2013 (the “**2013 Interim Report**”), as at 30 June 2013, the Group had an attributable installed capacity of approximately 12,963MW, among which the attributable installed capacity of coal-fired power was approximately 9,797MW, representing approximately 76% of the total attributable installed capacity.

CPI Holding is a Hong Kong incorporated company focusing on power-related assets investment and development in the PRC and abroad. CPI Group is one of the five state-owned power generation groups in the PRC, and operates coal-fired, hydropower and nuclear power plants in various locations in the PRC. CPI Holding is wholly-owned by CPI Group. As at the Latest Practicable Date, CPI Group, through CPI Holding, owns approximately 60.76% of the total issued share capital of the Company.

As disclosed in the Letter from the Board, Wuhu Electric Power is a wholly-owned subsidiary of CPI Holding principally engaged in electricity generation in Anhui Province, the PRC. It was incorporated in the PRC in November 2003 as a foreign investment enterprise with limited liability and a registered capital of US\$142,500,000. It currently holds two 660MW ultra super-critical coal-fired power generating units located in Wuhu City of Anhui Province in the PRC, which commenced commercial operation in December 2010 and December 2011 respectively. All electricity generated by Wuhu Electric Power is sold to the State Grid Corporation of China. As of 30 June 2013, there were approximately 1,300 employees based on the internal records of Wuhu Electric Power.

Wuhu Electric Power has only one subsidiary, Wuhu Shaoda, which is wholly-owned by Wuhu Electric Power. Its two 125MW coal-fired power generating units ceased operation in July 2010 in order to meet the “Big Replaces Small” policy requirements of the National Development and Reform Commission. In return for shutting down of the two small capacity generating units, Wuhu Shaoda received a 3-year compensation payment from 2011 to 2013. Wuhu Shaoda will be dissolved after the expiry of the compensation period at the end of 2013.

### ***1.2 Operational and financial information of the Wuhu Group***

As at the Latest Practicable Date, the Wuhu Group operated two ultra super-critical coal-fired power generating units located in Anhui Province, each with installed capacity of 660MW. The power generating units have commenced commercial operation since December 2010 and December 2011 respectively, during which the Group has been managing the power plant of Wuhu Electric Power on behalf of CPI Holding.

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## LETTER FROM QUAM CAPITAL

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The following table sets out certain operational data of the Wuhu Group for each of the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013:

	<b>For six months ended 30 June 2013</b>	<b>For the year ended 31 December</b>	
		<b>2012</b>	<b>2011</b>
Gross power generation (MWh)	3,758,000	7,562,000	4,167,000
Total electricity sold (MWh)	3,590,000	7,240,000	3,980,000
Average utilisation hours	2,847	5,729	5,953
Average on-grid tariff (net of value added tax (“VAT”)) (RMB/MWh)	370.51	372.49	344.99
Average coal consumption rate (g/KWh)	297.22	297.94	301.92

Set out below are the extracts of the Wuhu Group’s audited consolidated financial statements for each of the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013, and the unaudited consolidated financial statements for the six months ended 30 June 2012, which were prepared based on accounting principles generally accepted in the PRC:

*Extracts of consolidated income statements of the Wuhu Group*

	<b>For six months ended 30 June</b>		<b>For the year ended 31 December</b>	
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Revenue	1,424,480	1,214,810	2,949,228	1,571,040
Operating profit/(loss)	170,443	(24,892)	145,706	(104,074)
Profit/(loss) before and after taxation (attributable to shareholders of Wuhu Electric Power)	161,853	(21,382)	176,554	(81,471)

*Extracts of consolidated balance sheets of the Wuhu Group*

	<b>As at 30 June 2013</b>	<b>As at 31 December</b>	
		<b>2012</b>	<b>2011</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Total assets	4,819,408	5,101,406	5,272,766
Net asset value	754,092	663,033	616,494

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## LETTER FROM QUAM CAPITAL

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As advised by the management of the Group, the two power generating units of Wuhu Electric Power have commenced commercial operation since December 2010 and December 2011 respectively. The sales of electricity of the Wuhu Group for the year ended 31 December 2011 was approximately half of that for the year ended 31 December 2012, resulting in lower revenue and recorded loss of approximately RMB81.5 million for the year ended 31 December 2011. The principal reasons for the increase in revenue of the Wuhu Group in 2012 compared to 2011, among others, are: (i) the second generating unit of the Wuhu Group commenced operation at the end of 2011. This led to an increase of 604MW in the annual average capacity and an increase of 3,259,000MWh in the gross power generation; and (ii) the on-grid tariffs for electricity in Anhui Province were adjusted upwards for 3 times in April, June and December of the year 2011 respectively. Hence, the average on-grid tariffs in 2012 increased by RMB31.1 per MWh when compared to the average on-grid tariffs in 2011. Starting from the year ended 31 December 2012, the Wuhu Group managed to turn around to record profit attributable to shareholders of Wuhu Electric Power of approximately RMB176.6 million and RMB161.9 million for the year ended 31 December 2012 and the six months ended 30 June 2013 respectively.

Total assets of the Wuhu Group as at 31 December 2011, 31 December 2012 and 30 June 2013 were approximately RMB5,272.8 million, RMB5,101.4 million and RMB4,819.4 million respectively, which mainly comprised of power-related assets, land use rights, trade receivables, inventories and cash and cash equivalents. The principal reasons for the decrease in total assets of the Wuhu Group as of June 2013 compared to December 2011, among others, are: (i) pursuant to the notice promulgated by the Ministry of Finance “Notice on financial issues relating to the elimination of high energy consumption, high pollution and backward production facilities” (No. 198 [2007] of the Ministry of Finance)\* (《關於淘汰高能耗高污染行業落後生產設備設施有關財務問題的通知》(財企[2007]第198號), CPI Wuhu Power Generating Company Limited\* (中電國際(蕪湖)發電有限責任公司), wholly-owned by Wuhu Electric Power, was dissolved at the end of 2012 and this reduced the size of long-term equity investment on Wuhu Electric Power’s balance sheet; and (ii) loans were repaid by Wuhu Electric Power after commercial operations, thus its cash account was reduced. The net asset value was on an increasing trend from approximately RMB616.5 million as at 31 December 2011 to approximately RMB754.1 million as at 30 June 2013.

As at 30 June 2013, Wuhu Electric Power owed CPI Holding an outstanding amount of approximately RMB93,950,000 (the “**Wuhu Electric Power Debt**”). The parties have agreed that the Wuhu Electric Power Debt will be repaid by Wuhu Electric Power before the completion of the Acquisition unless agreed otherwise.

### 1.3 *Operational and financial information of the Group*

The Group’s principal business activities are categorised into two major segments: (i) generation and sale of coal-fired electricity; and (ii) generation and sale of hydropower electricity. Generation and sale of coal-fired electricity accounted for approximately 84.1%, 80.3% and 72.2% of the Group’s total revenue for each of the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013 respectively.

\* for identification purpose only

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## LETTER FROM QUAM CAPITAL

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The following table sets out certain operational data of the Group for each of the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013:

	<b>For six months ended 30 June 2013</b>	<b>For the year ended 31 December</b>	
		<b>2012</b>	<b>2011</b>
Gross power generation (MWh)	28,345,116	51,859,151	50,132,564
Average utilisation hours			
- coal-fired power	2,459	4,959	5,783
- hydropower	2,414	3,482	2,502
Average on-grid tariff (net of VAT) (RMB/MWh)			
- coal-fired power	381.07	377.61	348.39
- hydropower	280.91	278.87	281.84
Average coal consumption rate (g/KWh)	315.08	316.70	319.40

Set out below are the extracts of the Group's audited consolidated financial statements for each of the years ended 31 December 2011 and 2012 and the Group's unaudited consolidated financial statements for each of the six months ended 30 June 2012 and 2013 from the 2012 Annual Report and the 2013 Interim Report:

*Extracts of consolidated income statements of the Group*

	<b>For six months ended 30 June</b>		<b>For the year ended 31 December</b>	
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Revenue	9,642,440	9,101,377	17,497,128	16,082,062
Operating profit	2,949,456	1,806,645	3,559,640	2,273,429
Profit attributable to the Shareholders	1,401,196	547,796	1,181,125	505,202

*Extracts of consolidated balance sheets of the Group*

	<b>As at 30 June 2013</b>	<b>As at 31 December</b>	
		<b>2012</b>	<b>2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Total assets	72,310,727	69,909,398	63,392,460
Net asset value attributable to the Shareholders	15,958,625	14,942,244	13,124,992

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## LETTER FROM QUAM CAPITAL

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According to the 2012 Annual Report, the increase in revenue was mainly attributable to (i) the year-on-year increase in total electricity consumption in the PRC of approximately 5.5%; (ii) new coal-fired power generating units commencing commercial operation and significant increase in hydropower generation resulted from sufficient rainfall; and (iii) the carry over effect of the tariff adjustment in 2011 resulting in the increase in the average on-grid tariff of coal-fired power generation business from approximately RMB348.39/MWh for the year ended 31 December 2011 to that of approximately RMB377.61/MWh for the year ended 31 December 2012. The increase in operating profit for the year ended 31 December 2012 was mainly attributable to the above and (i) the decrease of approximately 2.70g/KWh in average coal consumption rate to approximately 316.70g/KWh for power generation in 2012 as compared to 2011; and (ii) the decrease of approximately 0.62% in unit fuel cost to approximately RMB254.60/MWh in 2012 as compared to 2011.

For the six months ended 30 June 2013, the Group continued to record increase in operating profit as compared with the corresponding period of last year. As disclosed in the 2013 Interim Report, the increase in operating profit was mainly because of the significant increase in electricity sold from hydropower business and the decrease in the fuel cost for coal-fired power generation business as a result of the declining average coal prices during the period. The aggregate total electricity sold reached 27,008,433MWh with approximately 67.7% from coal-fired power and the rest from hydropower for the first half of 2013, representing an increase of approximately 5.4% as compared with the corresponding period of last year. The average unit fuel cost of the Group's coal-fired power generation business was approximately RMB231.90/MWh, representing a decrease of approximately 12.8% as compared to the corresponding period of last year. In addition, the increase in the average on-grid tariff of coal-fired power generation business from approximately RMB376.35/MWh for the first half of 2012 to RMB381.07/MWh for the first half of 2013 also contributed to its increase in operating profit for the period.

Total assets of the Group as at 31 December 2011, 31 December 2012 and 30 June 2013 were approximately RMB63,392.5 million, RMB69,909.4 million and RMB72,310.7 million respectively, which mainly represented, among others, power-related assets, prepayments for construction of power plants, available-for-sale financial assets, trade and other receivables and cash and cash equivalents. The net asset value attributable to the Shareholders was on an increasing trend from approximately RMB13,125.0 million as at 31 December 2011 to approximately RMB15,958.6 million as at 30 June 2013.

The Group also manages on behalf of CPI Holding the power plant of Wuhu Electric Power, in return for a management fee. The relevant management fee income was accounted for as other income in the Group's consolidated financial statements. Details of the Seventh Supplemental Asset Management Agreement were disclosed in the announcement of the Company dated 17 December 2012 in respect of its continuing connected transactions. As advised by the management of the Group, the management fee income attributable from managing the power plant of Wuhu Electric Power amounted to approximately RMB1.0 million, RMB1.0 million and RMB4.3 million for the each of the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013 respectively. As disclosed in the Letter from the Board, given that Wuhu Electric Power will become part of the

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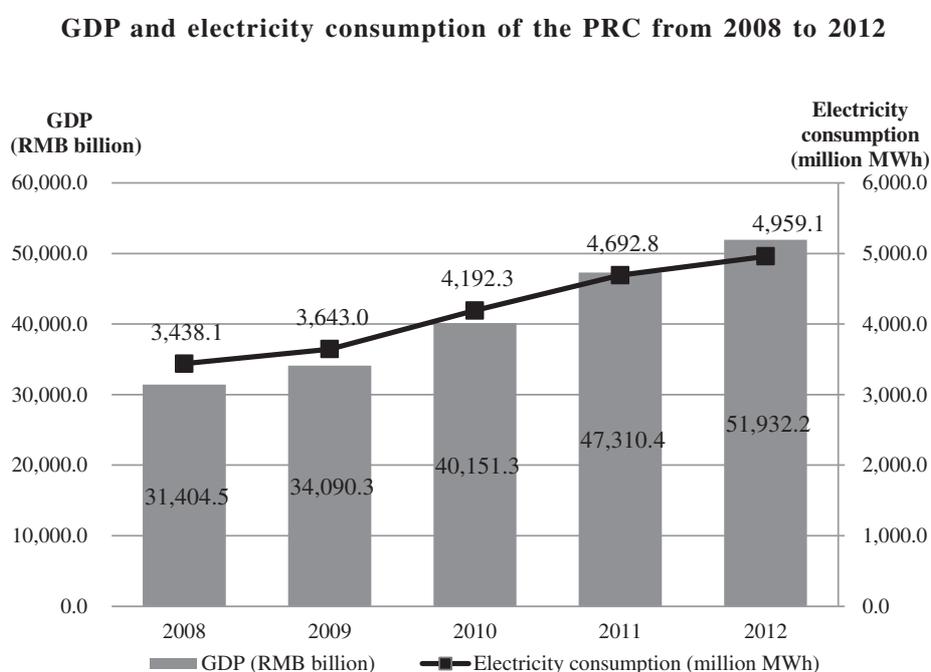
Enlarged Group upon the completion of the Acquisition, the Company expects to amend the Assets Management Agreement further after completion of the Acquisition to reflect the fact the Assets Management Agreement will no longer need to cover the management by the Company of Wuhu Electric Power on behalf of CPI Holding.

### 1.4 Overview of the economy and power industry in the PRC and Anhui Province

The Wuhu Group is principally engaged in electricity generation in Anhui Province, the PRC. As stated in the Letter from the Board, Wuhu Electric Power is located in the power grid load centre of Anhui Province in the PRC. In the first half of 2013, the total amount of electricity generated by Wuhu Electric Power was approximately 3,758,000MWh. The average utilisation hours were approximately 2,847 hours, 164 hours higher than that for coal-fired power generating units in Anhui Province, and 110 hours higher than that for similar generating units in the region. Wuhu Electric Power is currently at the preliminary stage of expanding its construction project in relation to the two 1,000MW ultra super-critical coal-fired power generating units.

According to the National Bureau of Statistics of China and the Statistics Bureau of Anhui Province, the economic development and growth of electricity consumption of the PRC and Anhui Province in recent years continued to record considerable growth.

The following chart illustrates the gross domestic products (“GDP”) and electricity consumption of the PRC:



Source: National Bureau of Statistics of China

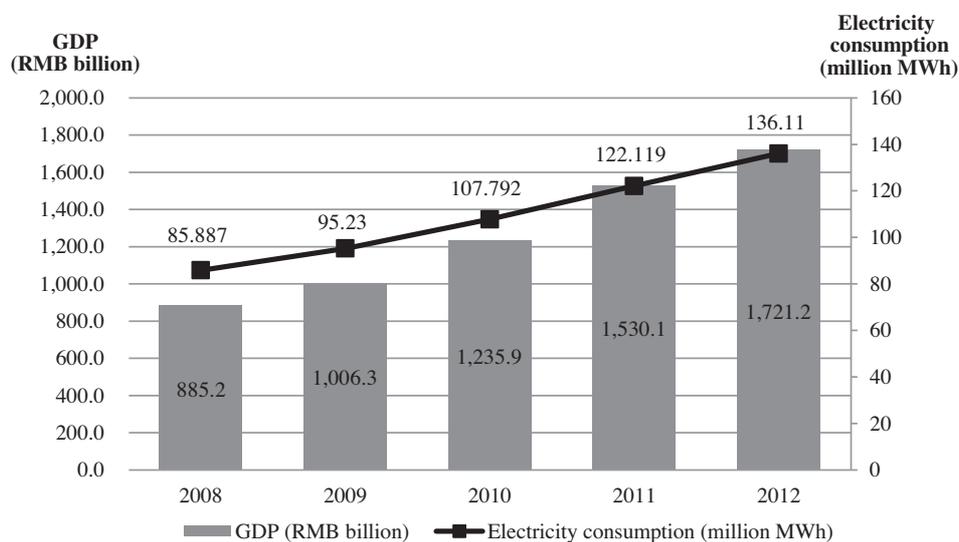
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The following chart illustrates the GDP and electricity consumption of Anhui Province of the PRC:

**GDP and Electricity consumption of the Anhui Province from 2008 to 2012**



Source: National Bureau of Statistics of China and Statistics Bureau of Anhui Province

As shown in the above charts, the GDP of Anhui Province has been increasing steadily from 2008 and reached approximately RMB1,721 billion in 2012, representing a nominal compound annual growth rate (“CAGR”) of approximately 18.1% from 2008 to 2012, outpacing the nominal CAGR of approximately 13.4% of the PRC during the corresponding period. In the first half of 2013, the GDP of Anhui Province grew by approximately 10.9% compared to the same period of last year, which was also higher than that of the PRC’s GDP of approximately 7.6%. Electricity consumption in Anhui Province has also increased along with the province’s GDP growth. Electricity consumption in Anhui Province has been increasing at a CAGR of approximately 12.2% from 2008 to 2012, reaching approximately 136.11 million MWh in 2012. The CAGR of electricity consumption in Anhui Province from 2008 to 2012 was also higher than that of approximately 9.6% of the PRC as a whole.

### 1.5 Reasons for and benefits of the Acquisition

As stated in the Letter from the Board, after the completion of the Acquisition, the attributable installed capacity of the Group as of 30 June 2013 will increase from approximately 12,963MW to approximately 14,283MW. Wuhu Electric Power has two environmental friendly and energy-saving ultra super-critical coal-fired power generating units, each with a capacity of 660MW. Made by advanced technology, these units have a long service life and a good operational track record. It is the Company’s development strategy to promote and expand of large-capacity and high-parameter coal-fired power generation unit projects. The Company believes that its business will be enhanced through the Acquisition which would help expand its operational scale and improve the quality of its assets.

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According to the notification issued by the National Development and Reform Commission on 30 September 2013 in connection with the adjustments of on-grid tariffs, the desulphurization on-grid tariff of Wuhu Electric Power has been lowered by RMB14.9 per MWh from RMB436.0 per MWh to RMB421.1 per MWh. Other than the adjustments on the on-grid tariffs, the denitration tariff subsidy for Wuhu Electric Power has been increased from RMB8 per MWh to RMB10 per MWh and a dedusting tariff subsidy for Wuhu Electric Power of RMB2 per MWh has also been introduced. Wuhu Shaoda will also be impacted by the adjustments of on-grid tariffs, its on-grid tariff has been lowered by RMB14.9 per MWh, from RMB461.0 per MWh to RMB446.1 per MWh. This will consequently affect the compensation to be received by Wuhu Shaoda since the compensation payment is linked to the on-grid tariff applicable to Wuhu Shaoda.

Although there is a reduction in tariff, the Company has taken into account the potential impact when determining the consideration for acquiring Wuhu Electric Power. The Company believes that the comparable companies' share prices and corresponding price to earnings ratios which were considered by the parties when determining the consideration under the Acquisition Agreement reflected the impact of the tariff adjustment given that the comparable companies had already published announcements relating to the tariff adjustment. As advised by the Company, Wuhu Electric Power's profitability should remain strong taking into account, among other factors, the coal price, its operational efficiency and its total power generation and the adjustments of on-grid tariffs should not have material adverse impact on the earnings of the Wuhu Group.

Wuhu Electric Power has achieved strong financial performance in year 2012 and the first half of 2013 since its two high capacity power generating units commenced full operation. During this period, the average utilisation hours of its power generating units out-performed those of the other generating units in the same region. The Company believes that the Acquisition will enhance the Company's overall profitability, return on equity and capital structure. The Acquisition also allows the Company to strengthen its presence in the power generation market in Anhui Province, the region with high economic growth prospects in recent years with potential increase in demand for electricity.

As disclosed in the 2013 Interim Report, the Group will maintain its strategic structure of "balanced hydro and coal-fired power generation", the hydro and coal-fired power businesses will continue to play a complementary role for each other. In addition, the Group will closely monitor the relevant national policies which require tariff adjustments following changes in coal prices, actively strengthen operational risk management and strive for improving the annual results. For the second half of 2013, with more new power generating units commencing production, it is expected to bring profit contribution and continuous improvement to the Group's financial position. In the second half of 2013, the Group will also take proactive steps to, among others, (i) assure the operational policy of "focus on two prices and one volume", which means monitoring on-grid tariffs, controlling coal prices and ensuring sales volume of power generation; and (ii) optimise coal sourcing structure, exercise strict cost control and improve the standard of fuels management.

The Group is one of the five state-controlled power companies which are principally engaged in coal-fired power generation business in the PRC and listed on the Stock Exchange. The following table sets out the latest attributable installed capacity of each of these five state-controlled power

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companies which are principally engaged in coal-fired power generation business in the PRC and listed on the Stock Exchange:

<b>Company name (stock code)</b>	<b>Attributable installed capacity (MW)</b>
Huaneng (902)	59,155
Datang (991) <i>(Note)</i>	38,629
Huadian (1071)	29,119
CR Power (836)	26,062
The Company (2380)	12,963
The Company (upon completion of the Acquisition)	14,283
The Company (upon completion of the Acquisition and projects under construction)	17,792

*Source: website of the Stock Exchange*

*Note: Since total attributable installed capacity of Datang is not available, its total installed capacity is used for illustration above.*

Based on above information, amongst the five state-controlled power companies which are principally engaged in coal-fired power generation business in the PRC and listed on the Stock Exchange, the Group currently has the smallest operational scale in terms of total attributable installed capacity. The Acquisition is expected to increase the Group's attributable installed capacity of coal-fired power generation business by approximately 13.5% from approximately 9,797MW to approximately 11,117MW, and total attributable installed capacity by approximately 10.2% from approximately 12,963MW to approximately 14,283MW.

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The following table sets out the comparison of the major operational data of the Group and the Wuhu Group for the year ended 31 December 2012 and the six months ended 30 June 2013:

	<b>The Group</b>		<b>The Wuhu Group</b>
	<i>Hydropower generation</i>	<i>Coal-fired power generation</i>	
<b>For the year ended 31 December 2012</b>			
Gross power generation (MWh)	12,180,300	39,678,851	7,562,000
Average utilisation hours	3,482	4,959	5,729
Average on-grid tariff (net of VAT) (RMB/MWh)	278.87	377.61	372.49
Average coal consumption rate (g/KWh)	N/A	316.70	297.94
<b>For the six months ended 30 June 2013</b>			
Gross power generation (MWh)	8,841,620	19,503,496	3,758,000
Average utilisation hours	2,414	2,459	2,847
Average on-grid tariff (net of VAT) (RMB/MWh)	280.91	381.07	370.51
Average coal consumption rate (g/KWh)	N/A	315.08	297.22

*Source: websites of the Stock Exchange and the Company*

As illustrated in the table above, it is noted that the average utilisation hours of the coal-fired power generating units of the Wuhu Group are relatively higher than those of the Group, and the average coal consumption rate of the coal-fired power generating units of the Wuhu Group is relatively lower than that of the Group. The Acquisition is considered to be able to enhance the attributable installed capacity of the Group as well as improve the overall power generation efficiency. It is further noted that the average on-grid tariff (net of VAT) of the coal-fired power generating units of the Wuhu Group was comparable to those of the Group. As advised by the management of the Group, the average on-grid tariff (net of VAT) of the Wuhu Group for the year ended 31 December 2012 and the six months ended 30 June 2013 were up to the applicable provincial benchmark tariff levels in Anhui Province.

In terms of asset quality, the Wuhu Group currently operates two ultra super-critical coal-fired power generating units, each with a capacity of 660MW. According to the World Coal Association, ultra super-critical technology of coal-fired power generation is becoming the system of choice for new commercial coal-fired power plants in many countries. It enables coal-fired power plants to operate at increasingly higher temperatures and pressures and therefore to achieve higher efficiencies than conventional units and significant carbon dioxide reductions. Higher efficiency levels increase the amount of energy that can be extracted from a single unit of coal. The average global efficiency of ordinary coal-fired power plants is currently approximately 28% compared to that of over 45% that can be achieved by ultra super-critical technology. The relatively lower average coal consumption rate

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of the coal-fired power generating units of the Wuhu Group than those of the Group as illustrated in the above table suggested that the coal-fired power generating units of the Wuhu Group had higher power generating efficiency than the average of those of the Group in terms of coal consumption rate in the generation of each KWh of electricity.

As discussed in section (1.2) above, following the commencement of operation of the second power generating unit in December 2011, the Wuhu Group experienced significant growth in revenue for the year ended 31 December 2012 of approximately 87.7% as compared to that for the year ended 31 December 2011. Accordingly, the Wuhu Group also turned around to record profit attributable to shareholders of Wuhu Electric Power of approximately RMB176.6 million and RMB161.9 million for the year ended 31 December 2012 and the six months ended 30 June 2013 respectively, as compared to a loss attributable to shareholders of Wuhu Electric Power of approximately RMB81.5 million for the year ended 31 December 2011. In addition, we have noted that the net asset value of the Wuhu Group has been accumulating since 2011 to reach approximately RMB754.1 million as at 30 June 2013. The Company therefore considered that the Acquisition would enhance the revenue base and asset base of the Group upon completion of the Acquisition.

Based on the foregoing, we consider that the Group's operational scale, overall asset quality, power generation capacity, presence in the power generation market in Anhui Province, as well as competitiveness with other state-controlled power companies which are principally engaged in coal-fired power generation business in the PRC and listed on the Stock Exchange are expected to be enhanced by the Acquisition and the Acquisition is consistent with the Group's business strategies as described above.

### *Conclusion*

In light of the above, taking into consideration, in particular, (i) the recent financial results of the Wuhu Group with profit attributable to shareholders of Wuhu Electric Power of approximately RMB176.6 million and RMB161.9 million for the year ended 31 December 2012 and the six months ended 30 June 2013 respectively; (ii) the continued economic growth and increase in electricity consumption in Anhui Province of the PRC in the recent years; (iii) the reasons for and benefits of the Acquisition as discussed above, we concur with the Directors' view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

## **2. Principal terms of the Acquisition Agreement**

### **2.1 *The Consideration***

Pursuant to the Acquisition Agreement, the consideration for the Acquisition is RMB1,450,000,000 (equivalent to approximately HK\$1,835,443,038) (the "**Consideration**").

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### *Basis of determination*

As stated in the Letter from the Board, the Consideration was determined based on arm's length negotiations between the Company and CPI Holding under the Acquisition Agreement. A number of factors were considered by the parties when determining the Consideration, including, among other things, (i) the price to earnings ratios of comparable companies listed on and/or transactions published through the Stock Exchange (namely Huaneng, Datang, Huadian and CR Power which are state-controlled companies and are principally engaged in coal-fired power generation in PRC; their price to earnings ratios ranged from approximately 9.24 to approximately 16.28 times on 11 October 2013); (ii) the profitability of the Wuhu Group; (iii) the potential growth and prospects of the Wuhu Group; and (iv) the terms of the Acquisition Agreement (the "**Basis**").

### *Evaluation of the Consideration*

In evaluating the fairness and reasonableness of the Consideration as determined by the Basis, we have identified and reviewed the trading multiples of comparable companies listed on the Stock Exchange (including the Company) (the "**Comparable Companies**") and the multiples of recent acquisitions of completed and/or operating power companies as announced by the Comparable Companies (the "**Comparable Transactions**"). In analysing the Comparable Companies and the Comparable Transactions identified, we have referred to standard valuation references commonly used by the power industry, such as enterprise value ("**EV**"), generation capacity, net profit attributable to equity holders, earnings before interest, tax, depreciation and amortisation ("**EBITDA**") and net asset value. We are of the view that EV to MW multiples, EV to EBITDA multiples, price to earnings multiples ("**P/E ratio**") and price to net asset value multiples ("**P/B ratio**"), which are considered to be the commonly used and generally accepted trading multiples for listed companies in the power industry, are reasonable valuation benchmarks on which we have made comparisons and conducted analysis with Comparable Companies and Comparable Transactions. Notwithstanding the aforementioned adjustments of on-grid tariffs, we consider the use of historical P/E ratio of Wuhu Electric Power in our analysis below is appropriate given that the Company is of the view that the adjustments should not have material adverse impact on the earnings of the Wuhu Group. In assessing the reasonableness of the Company's view above, we have (i) discussed with the management of the Company the basis and factors being considered including, among others, the coal price, Wuhu Electric Power's operational efficiency and its total power generation; and (ii) considered the recent trend of coal price and noted that the average coal price as quoted by 秦皇島海運煤炭交易市場有限公司 (Qinhuangdao Sea-shipping Coal Exchange Market Co., Ltd.\*) on 23 October 2013 decreased by approximately 15% as compared to that for the corresponding period in 2012.

#### (i) Analysis with Comparable Companies

The Wuhu Group, being a member of the state-owned CPI Group, is principally engaged in power generation business in Anhui Province, the PRC. As part of our assessment of the fairness and reasonableness of the Consideration, we have identified a list of state-controlled Comparable Companies which are listed on the Stock Exchange and are principally engaged in coal-fired power generation business in the PRC based on the information publicly available on the website of the Stock

\* for identification purpose only

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Exchange. Accordingly, we set out in the following table the respective multiples of the Comparable Companies as at the Latest Practicable Date based on their latest published financial statements. Notwithstanding that the scale of operations, operating environment, business model, taxation, accounting policies and standards and risk profile of the Comparable Companies are not the same as those of the Wuhu Group, given that the nature of the principal business of the Comparable Companies is similar to that of the Wuhu Group, we consider that the Comparable Companies are fair and representative samples for comparison, and that the analysis with the Comparable Companies provides a general reference as to the market valuation of companies with similar business to the Wuhu Group.

The list of the aforesaid Comparable Companies and their respective relevant trading multiples are set out below:

Company name	EV <sup>(Note 1)</sup> to MW <sup>(Note 2)</sup> (RMB million/MW)	EV <sup>(Note 1)</sup> to EBITDA <sup>(Note 3)</sup> (Times)	P/E ratio <sup>(Note 4)</sup> (Times)	P/B ratio <sup>(Note 5)</sup> (Times)
The Company	4.49	9.86	11.21	0.83
CR Power	5.70	9.44	12.60	1.61
Huaneng	4.15	8.46	15.97	1.52
Datang <sup>(Note 6)</sup>	5.82	8.99	8.98	0.87
Huadian	4.72	9.05	13.89	0.97
<b>Maximum</b>	<b>5.82</b>	<b>9.86</b>	<b>15.97</b>	<b>1.61</b>
<b>Minimum</b>	<b>4.15</b>	<b>8.46</b>	<b>8.98</b>	<b>0.83</b>
<b>Average</b>	<b>4.98</b>	<b>9.16</b>	<b>12.53</b>	<b>1.16</b>
<b>Median</b>	<b>4.72</b>	<b>9.05</b>	<b>12.60</b>	<b>0.97</b>
<b>Wuhu Electric Power (as implied by the Consideration)<sup>(Note 7)</sup></b>	<b>3.56</b>	<b>9.22</b>	<b>8.96</b>	<b>1.92</b>

Source: website of the Stock Exchange

Notes:

- EV of a Comparable Company refers to the sum of its market value on the Latest Practicable Date, and net debt (defined as total borrowings minus cash and cash equivalents) and non-controlling interests according to the latest published financial statements of the respective Comparable Company available on the Latest Practicable Date.
- MW refers to the total attributable installed capacity according to the latest published financial results of the respective Comparable Company available on the Latest Practicable Date.
- EBITDA refers to earnings before interest, tax, depreciation and amortisation accordingly the latest published full year financial statements of the respective Comparable Company available on the Latest Practicable Date.
- P/E ratio refers to a comparison of the market value of the respective Comparable Company on the Latest Practicable Date with the net profit attributable to the equity holders according to the latest published full year financial statements of the respective Comparable Company available on the Latest Practicable Date.
- P/B ratio refers to a comparison of the market value of the respective Comparable Company as at the Latest Practicable Date with its respective shareholders' equity according to the latest published financial statements of the respective Comparable Company available on the Latest Practicable Date.

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6. Since the total attributable installed capacity of Datang is not available, its total installed capacity is used in the calculations instead.
7. For Wuhu Electric Power, the calculations of P/E ratio and P/B ratio are based on the Consideration, the audited consolidated net profit attributable to shareholders of Wuhu Electric Power for the year ended 31 December 2012 and the audited consolidated net asset value of Wuhu Electric Power as at 30 June 2013. EV is calculated based on the Consideration plus net debt based on the audited consolidated financial statements as at 30 June 2013. EBITDA is calculated based on the audited consolidated financial statements of Wuhu Electric Power for the year ended 31 December 2012. MW refers to the attributable installed capacity of the Wuhu Group as at 30 June 2013.

Based on the above table, we have observed that:

- the EV to MW multiples of the Comparable Companies ranged from approximately RMB4.15 million/MW to RMB5.82 million/MW, with an average of approximately RMB4.98 million/MW and a median of approximately RMB4.72 million/MW. The EV to MW multiple of Wuhu Electric Power as implied by the Consideration of approximately RMB3.56 million/MW falls below the range of those of the Comparable Companies and thus is relatively low compared with those of the Comparable Companies;
- the EV to EBITDA multiples of the Comparable Companies ranged from approximately 8.46 times to 9.86 times, with an average of approximately 9.16 times and a median of approximately 9.05 times. The EV to EBITDA multiple of Wuhu Electric Power as implied by the Consideration of approximately 9.22 times is within the range of those of the Comparable Companies, slightly above the average and median of those of the Comparable Companies;
- the P/E ratios of the Comparable Companies ranged from approximately 8.98 times to 15.97 times, with an average of approximately 12.53 times and a median of approximately 12.60 times. The P/E ratio of Wuhu Electric Power as implied by the Consideration of approximately 8.96 times falls below the range of those of the Comparable Companies and thus is relatively low compared with those of the Comparable Companies; and
- the P/B ratios of the Comparable Companies ranged from approximately 0.83 times to 1.61 times, with an average of approximately 1.16 times and a median of approximately 0.97 times. The P/B ratio of Wuhu Electric Power as implied by the Consideration of approximately 1.92 times is above the range of those of the Comparable Companies and thus is relatively high compared with those of the Comparable Companies.

The P/B ratio of Wuhu Electric Power as implied by the Consideration is relatively high compared with those of the Comparable Companies due to the relatively lower net asset value of the Wuhu Group. The relatively lower net asset value is mainly attributable to the relatively higher equity bases of the Comparable Companies which are listed companies with long operating records and the relatively higher gearing ratio (calculated as net debt divided by total equity) of approximately 431% of the Wuhu Group which is higher than that of all of the Comparable Companies. Notwithstanding the above and having also taken into account that, among others, the EV to MW multiple and P/E ratio of Wuhu Electric Power as implied by the Consideration are below the range of those of the Comparable Companies, we consider that the Consideration is not relatively large in this regard.

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(ii) Analysis with Comparable Transactions

In our evaluation of the Consideration as determined by the Basis, we have also, based on the information publicly available on the website of the Stock Exchange and with our best endeavour, identified a list of Comparable Transactions involving the acquisition of coal-fired power companies and/or power-related assets in the PRC by the Comparable Companies since October 2008, which we consider to be fair and representative samples for comparison, and represent a general reference as to the valuation of acquisition targets in similar transactions to the Acquisition. Since EBITDA and MW data are not available for most of the Comparable Transactions, it is not meaningful to include EV to EBITDA and EV to MW as part of our analysis.

Details of the Comparable Transactions and their respective P/E ratio and P/B ratio as implied by the respective acquisition consideration are set out in the following table:

Date of announcement	Target	Purchaser <i>(Note 1)</i>	P/E ratio <i>(Note 2)</i>  <i>(Times)</i>	P/B ratio <i>(Note 3)</i>  <i>(Times)</i>
20-May-10	Shaoguan City Pingshi Electric Power Plant Co., Ltd.(B Plant)	Huadian	9.08	1.81
28-Apr-10	Shangdong Century Electric Power Development Co., Ltd.	Huadian	13.45	2.37
9-Feb-10	China Resources (Jiaozuo) Thermal Power Co., Ltd.	CR Power	9.51	0.64
23-Nov-09	Guangzhou China Resources Thermal Power Co., Ltd.	CR Power	N/A <i>(Note 4)</i>	2.19
19-Nov-09	Xuzhou Huaxing Investment Co., Ltd.	CR Power	18.68	1.59
22-Apr-09	Tianjin Huaneng Yangliuqing Co-generation Limited Liability Company	Huaneng	117.66 <i>(Note 5)</i>	1.23
22-Apr-09	Huaneng Beijing Co-generation Limited Liability Company	Huaneng	9.85	1.53
31-Dec-08	Henan China Resources Power Gucheng Co., Ltd.	CR Power	32.24	3.48
29-Dec-08	Hebei Huarui Energy Group Corporation Limited	Huadian	3.23	1.16

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Date of announcement	Target	Purchaser <i>(Note 1)</i>	P/E ratio <i>(Note 2)</i>  <i>(Times)</i>	P/B ratio <i>(Note 3)</i>  <i>(Times)</i>
12-Dec-08	Huaneng Huaiyin Power Generation Co. Ltd.	Huaneng	17.92	1.12
	<b>Maximum</b>		<b>117.66</b>	<b>3.48</b>
	<b>Adjusted maximum</b> <i>(Note 5)</i>		<b>32.24</b>	<b>N/A</b>
	<b>Minimum</b>		<b>3.23</b>	<b>0.64</b>
	<b>Average</b>		<b>25.74</b>	<b>1.71</b>
	<b>Adjusted average</b> <i>(Note 5)</i>		<b>14.24</b>	<b>N/A</b>
	<b>Median</b>		<b>13.45</b>	<b>1.56</b>
	<b>Adjusted median</b> <i>(Note 5)</i>		<b>11.65</b>	<b>N/A</b>
<b>The Acquisition</b>			<b>8.96</b>	<b>1.92</b>

*Source: website of the Stock Exchange*

*Notes:*

1. Purchaser refers to the relevant Comparable Company and/or its subsidiaries pursuant to the respective Comparable Transaction.
2. P/E ratio refers to a comparison of the total consideration with the attributable net profit of the acquisition target pursuant to the respective Comparable Transaction as disclosed in the relevant announcement(s) and circular(s).
3. P/B ratio refers to a comparison of the total consideration with the attributable net asset value of the acquisition target pursuant to the respective Comparable Transaction as disclosed in the relevant announcement(s) and circular(s).
4. Guangzhou China Resources Thermal Power Co., Ltd. recorded a loss during the immediate full financial year before the announcement of this Comparable Transaction. Accordingly, P/E ratio is not applicable for this Comparable Transaction.
5. For the acquisition of Tianjin Huaneng Yangliuqing Co-generation Limited Liability Company by Huaneng, the P/E ratio was approximately 117.66 times. As disclosed in the relevant announcement of Huaneng, the consideration was determined based on, among others, and particularly, the result of asset valuation. Given the above, we have presented the adjusted average, median and maximum P/E ratio of the Comparable Transactions with this transaction being excluded for illustrative purpose to exclude the outlier.

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Based on the above table, we have observed that the adjusted P/E ratios of the Comparable Transactions ranged from approximately 3.23 times to 32.24 times, with an average of approximately 14.24 times and a median of approximately 11.65 times. The P/E ratio in respect of the Acquisition as implied by the Consideration is within the range and below the adjusted average and median of those of the Comparable Transactions. The P/B ratios of the Comparable Transactions ranged from approximately 0.64 times to 3.48 times, with an average of approximately 1.71 times and a median of approximately 1.56 times. The P/B ratio in respect of the Acquisition as implied by the Consideration falls within the range and is slightly higher than the average and median of those of the Comparable Transactions.

### 2.2 *Payment method*

Pursuant to the Acquisition Agreement, the Consideration is to be satisfied as to 85% thereof (or RMB1,232,500,000) by the issue of 541,710,619 Consideration Shares and as to 15% thereof (or RMB217,500,000) by way of payment of cash, both on the Completion Date. The Company proposes to fund the cash portion of the consideration by its internal resources.

### *Evaluation of the Issue Price*

As stated in the Letter from the Board, the issue price of the Consideration Shares is HK\$2.88 per Consideration Share (the “**Issue Price**”), being the average of the closing share price as quoted on the Stock Exchange for the 30 trading days prior to (but excluding) the date of the Acquisition Agreement. As at the Latest Practicable Date, there were 5,808,680,502 Shares in issue. The total number of the Consideration Shares to be issued represents approximately 9.33% of the existing issued share capital of the Company and approximately 8.53% of the enlarged issued share capital of the Company. The Consideration Shares, when issued, will rank *pari passu* in all respects with the Shares.

The Issue Price:

- (i) represents a discount of approximately 4.32% to the closing price of HK\$3.01 per Share quoted on the Stock Exchange on 11 October 2013, being the last trading day prior to the date of the Acquisition Agreement;
- (ii) represents a discount of approximately 2.70% to the average closing price of approximately HK\$2.96 per Share quoted on the Stock Exchange for the last 5 trading days up to and including 11 October 2013;
- (iii) represents a discount of approximately 2.04% to the average closing price of approximately HK\$2.94 per Share quoted on the Stock Exchange for the last 10 trading days up to and including 11 October 2013;
- (iv) is equivalent to the average closing price of approximately HK\$2.88 per Share quoted on the Stock Exchange for the last 30 trading days up to and including 11 October 2013; and

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## LETTER FROM QUAM CAPITAL

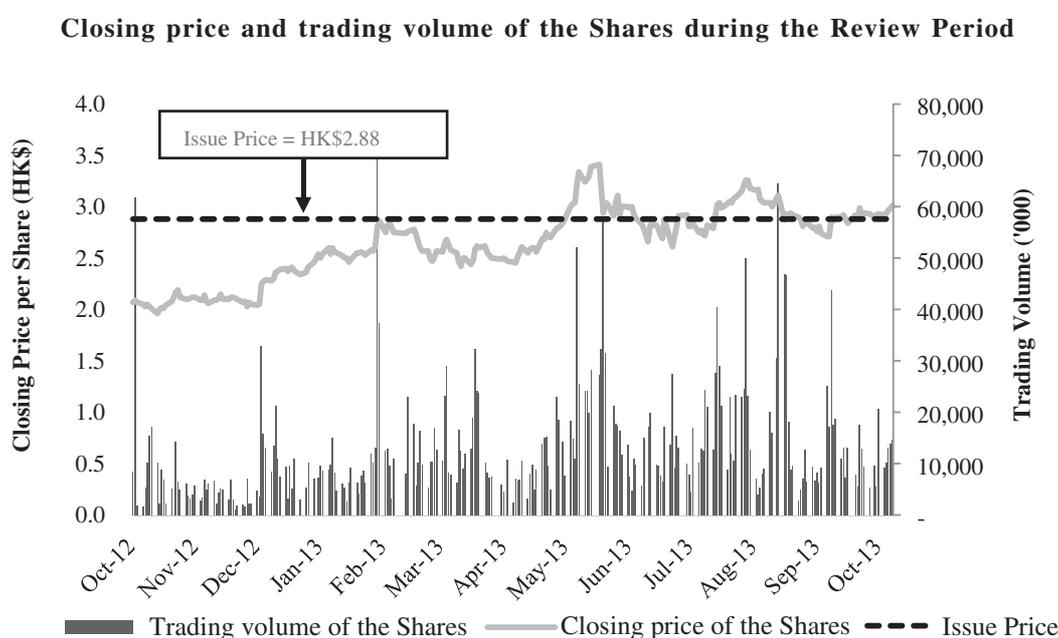
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- (v) represents a premium of approximately 3.60% over the unaudited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$2.78 as at 30 June 2013.

In order to assess the fairness and reasonableness of the Issue Price, we have (i) reviewed the price performance of the Shares from October 2012 up to and including 11 October 2013 (the “**Review Period**”); and (ii) performed a search for and analysis on the issue prices of consideration shares issued by other Hong Kong listed companies as payment for their respective acquisitions from connected persons during the Review Period.

- (i) Review of recent price performance of the Shares

The following chart illustrates the daily closing price and trading volume of the Shares as quoted on the Stock Exchange during the Review Period:



Source: *website of the Stock Exchange and Bloomberg*

During the Review Period, the closing prices of the Shares ranged from the lowest of HK\$1.96 per Share in October 2012 to the highest of HK\$3.41 per Share in May 2013. The average closing price of the Shares during the Review Period was approximately HK\$2.64 per Share. The Issue Price was approximately 9.09% above the average closing price of the Shares during the Review Period.

- (ii) Analysis with comparable transactions involving issue of consideration shares

To further analyse the fairness and reasonableness of the Issue Price, we have attempted to compare the relevant premium/discount represented by the Issue Price with those of other acquisitions from connected persons by companies listed on the Stock Exchange, which involved the issue of consideration shares and had subsequently received the requisite independent shareholders’ approvals

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## LETTER FROM QUAM CAPITAL

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at the respective companies' general meetings during the Review Period (the “**Consideration Share Comparables**”). We, based on our best endeavour and as far as we are aware of, have identified a list of Consideration Share Comparables. We would like to highlight that among the Consideration Share Comparables, we are unable to identify any which engaging in similar business as the Company. It should be noted that although the Consideration Share Comparables are not engaged in similar businesses as the Company, and that their terms of consideration share issuance may vary due to differences in respective company's financial standing and business performance, we believe that the Consideration Share Comparables still represent a reasonable comparison basis and could provide a general reference to the Independent Shareholders as to the range of premium/discount of the issue price of consideration shares over/to the then prevailing share prices under the other recent consideration issues of Hong Kong listed companies to connected persons. Given the above and that the terms of the Consideration Share Comparables are determined under similar market conditions and sentiments as the Consideration Shares, we consider the Share Comparables are fair and representative samples.

The following table sets out the respective issue prices of the consideration shares under the Consideration Share Comparables and the range of premium/discount over/to the respective issue prices of the consideration shares prior to the initial announcement of the Consideration Share Comparables over the periods indicated:

Date of the announcement	Company (stock code)	Issue price of the consideration shares	Premium/(discount) of the issue price of the consideration share over/(to) the closing price/average closing price of shares of			
			Last trading day	Last 5 trading days	Last 10 trading days	Last 30 trading days
		HK\$	%	%	%	%
27-Aug-13	Jinchuan Group International Resources Co. Ltd. (2362)	1.00	(31.03)	(29.78)	(29.63)	(28.45)
3-Jul-13	Great China Properties Holdings Limited (21)	0.37	2.78	3.93	(1.07)	(3.48)
27-May-13	China Taiping Insurance Holdings Company Limited (966)	15.39	24.51	22.57	21.97	20.06
10-Apr-13	Zhuhai Holdings Investment Group Limited (908)	1.33	8.13	11.02	10.74	13.55
27-Mar-13	Pan Asia Mining Limited (8173)	0.55	7.84	1.48	(1.79)	3.94
19-Mar-13	Vantage International (Holdings) Limited (15)	0.671	3.23	1.67	(0.59)	(4.96)
5-Mar-13	Lisi Group (Holdings) Limited (526)	0.30	(6.25)	(1.64)	(5.06)	(6.64)
18-Feb-13	Success Universe Group Limited (487)	0.199	0.00	(1.49)	(3.16)	(5.49)
23-Jan-13	Newtree Group Holdings Limited (1323)	1.64	(20.00)	(19.13)	(19.25)	(18.73)
22-Jan-13	Shenzhen Investment Limited (604)	3.667	9.14	9.33	8.65	15.00
18-Jan-13	Goldpoly New Energy Holdings Limited (686)	1.00	(21.26)	(22.12)	(21.88)	(18.57)
17-Jan-13	Huafeng Group Holdings Limited (364)	0.1768	(29.28)	(29.28)	(29.56)	(30.91)

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## LETTER FROM QUAM CAPITAL

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Date of the announcement	Company (stock code)	Issue price of the consideration shares	Premium/(discount) of the issue price of the consideration share over/(to) the closing price/average closing price of shares of			
			Last trading day	Last 5 trading days	Last 10 trading days	Last 30 trading days
		HK\$	%	%	%	%
17-Jan-13	China Gogreen Assets Investment Limited (397)	0.16	(0.62)	9.14	38.77	124.19
7-Jan-13	Paradise Entertainment Limited (1180)	0.80	2.56	0.50	(0.25)	(0.54)
18-Dec-12	China Gas Holdings Limited (384)	6.24	0.48	1.30	2.11	19.92
17-Oct-12	Viva China Holdings Limited (8032)	0.065	0.00	1.56	1.88	(0.91)
11-Oct-12	Infinity Chemical Holdings Company Limited (640)	0.52	1.96	3.79	2.77	2.70
8-Oct-12	North Asia Resources Holdings Limited (61)	0.17	(39.29)	(36.28)	(35.29)	(36.35)
<b>Maximum</b>			<b>24.51</b>	<b>22.57</b>	<b>38.77</b>	<b>124.19</b>
<b>Minimum</b>			<b>(39.29)</b>	<b>(36.28)</b>	<b>(35.29)</b>	<b>(36.35)</b>
<b>Average</b>			<b>(4.84)</b>	<b>(4.08)</b>	<b>(3.37)</b>	<b>2.46</b>
<b>Median</b>			<b>0.24</b>	<b>1.39</b>	<b>(0.83)</b>	<b>(2.20)</b>
<b>The Issue Price</b>		<b>2.88</b>	<b>(4.32)</b>	<b>(2.70)</b>	<b>(2.04)</b>	<b>0.00</b>

Source: website of the Stock Exchange and Bloomberg

As noted from the above table, the Issue Price represents a discount of approximately 4.32% to the closing price of the Shares on the last trading day prior to the date of the Acquisition Agreement, which is within the range, above the average and below the median of those of the Consideration Share Comparables as illustrated above. The Issue Price also represents discounts of approximately 2.70% and 2.04% to the average closing prices of the Shares for the last 5 and 10 trading days prior to the date of the Acquisition Agreement respectively, which also fall within the respective range, above the respective average and below the respective median of those of the Consideration Share Comparables as illustrated above. In addition, we noted that the Issue Price is equivalent to the average closing price of the Shares for the last 30 trading days prior to the date of the Acquisition Agreement, which falls within the range of those of the Consideration Share Comparables, and is lower than the average but higher than the median of those of the Consideration Share Comparables.

### Conclusion

Based on the foregoing, in particular, the basis of determination of the Consideration, the analysis on the Comparable Companies and Comparable Transactions and the review of the recent price performance of the Shares and the Consideration Share Comparables during the Review Period as described above, we are of the opinion that the principal terms of the Acquisition Agreement (including the Consideration and the Issue Price) are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM QUAM CAPITAL

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### 3. Potential dilution to shareholding of the existing public Shareholders

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and the possible shareholding structure immediately after the allotment and issue of the Consideration Shares:

	<b>As at the Latest Practicable Date</b>		<b>Upon allotment and issue of the Consideration Shares</b> <i>(Note 1)</i>	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
CPDL	1,996,500,000	34.37	1,996,500,000	31.44
CPI Holding <i>(Note 2)</i>	3,529,327,927	60.76	4,071,038,546	64.11
CPI Group <i>(Note 3)</i>	3,529,327,927	60.76	4,071,038,546	64.11
Public	<u>2,279,352,575</u>	<u>39.24</u>	<u>2,279,352,575</u>	<u>35.89</u>
Total	<u>5,808,680,502</u>	<u>100.00</u>	<u>6,350,391,121</u>	<u>100.00</u>

*Notes:*

1. Assuming none of the share options and convertible bonds is exercised on or before the date of the allotment and issue of the Consideration Shares. As at the Latest Practicable Date, the Company has 37,730,900 new Shares which may be issued pursuant to the outstanding share options and 924,874,161 new Shares which may be issued pursuant to the outstanding convertible bonds based on the current conversion price.
2. As at the Latest Practicable Date, CPI Holding is the beneficial owner of 1,532,827,927 Shares. Further, CPI Holding is the beneficial owner of CPDL and therefore CPI Holding is deemed to be interested in Shares owned by CPDL for the purposes of the SFO.
3. CPI Group is the beneficial owner of CPI Holding and therefore CPI Group is deemed to be interested in the Shares owned by CPI Holding for the purposes of the SFO.

As illustrated above, upon the issue of the Consideration Shares, the shareholding interests of the existing public Shareholders will be diluted from approximately 39.24% to 35.89%, assuming none of the share options is being exercised and none of the convertible bonds is being converted on or before the date of allotment and issue of the Consideration Shares.

Having considered that (i) the reasons for and benefits of the Acquisition as discussed in section (1) above; (ii) the Consideration and the Issue Price are fair and reasonable so far as the Independent Shareholders are concerned as discussed in section (2) above; and (iii) the shareholding of all existing public Shareholders will be diluted proportionally to their respective shareholdings upon the issue of the Consideration Shares, we consider the aforementioned potential dilution effect to be acceptable in this regard.

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## LETTER FROM QUAM CAPITAL

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#### 4. Potential financial effects of the Acquisition on the Group

Pursuant to the Acquisition Agreement, the Company shall be entitled to exercise all rights attached or accruing to the Equity Interest including, without limitation, the right to receive all dividends, distributions or any return of capital declared, paid or made by Wuhu Electric Power on or after 1 July 2013.

Upon the completion of the Acquisition, the Group will hold 100% equity interest in Wuhu Electric Power and the financial results of the Wuhu Group since 1 July 2013 will be consolidated into the accounts of the Group. As discussed in the section (1.2) above, revenue of the Wuhu Group was approximately RMB2,949.2 million and RMB1,424.5 million for the year ended 31 December 2012 and the six months ended 30 June 2013 respectively, and its profit attributable to shareholders of Wuhu Electric Power was approximately RMB176.6 million and RMB161.9 million for the year ended 31 December 2012 and the six months ended 30 June 2013 respectively. As at 30 June 2013, the Group's net asset value attributable to the Shareholders amounted to approximately RMB15,958.6 million and the Wuhu Group's net asset value was approximately RMB754.1 million. The Company expects that, upon completion of the Acquisition Agreement, the revenue base and asset base attributable to the Shareholders will be enhanced. Nevertheless, the actual effect on earnings of the Company will depend on the future performance of the Wuhu Group.

Pursuant to the Acquisition, the Consideration shall be satisfied as to 15% (or RMB217,500,000) by way of cash. As stated in the Letter from the Board, the Company proposes to fund the cash portion of the Consideration by internal resources. According to the 2013 Interim Report, the Group's cash and cash equivalents amounted to approximately RMB2,706.5 million and gearing ratio (calculated as net debt divided by total equity) of approximately 195% as at 30 June 2013. Given that (i) the Consideration will be settled by the Group's internal resources; (ii) the net cash inflow from operating activities amounted to approximately RMB2,346.5 million for the year ended 31 December 2012; and (iii) the current capital structure of the Group and the Wuhu Group, the Company expects that the working capital position and gearing ratio of the Group would not have any material adverse change after completion of the Acquisition.

In view of the foregoing, we are of the opinion that the Acquisition will not have any material adverse financial effect on the Group upon completion of the Acquisition in this regard.

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## LETTER FROM QUAM CAPITAL

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### RECOMMENDATION

In arriving at our recommendation in respect of the Acquisition, we have considered the principal factors and reasons as discussed above, in particular,

- the recent financial performance of the Wuhu Group with profit attributable to shareholders of Wuhu Electric Power of approximately RMB176.6 million and RMB161.9 million for the year ended 31 December 2012 and the six months ended 30 June 2013 respectively;
- the continued economic growth and increase in electricity consumption in Anhui Province of the PRC in the recent years;
- the Group's operational scale, overall asset quality, power generation capacity, presence in the power generation market in Anhui Province, as well as competitiveness with other state-controlled power companies which are principally engaged in coal-fired power generation business in the PRC and listed on the Stock Exchange, are expected to be enhanced by the Acquisition;
- the principal terms of the Acquisition Agreement are considered to be fair and reasonable based on our analysis as described in section (2) above; and
- the Acquisition will not have any material adverse financial effect on the Group upon completion of the Acquisition,

we are of the opinion that the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Quam Capital Limited**  
**Gary Mui**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. SHARE CAPITAL

	Number of Shares	Amount (HK\$)
Authorised: Ordinary shares of HK\$1.00 each	10,000,000,000	10,000,000,000
Issued and fully paid: Ordinary shares of HK1.00 each	5,808,680,502	5,808,680,502

The issued Shares are listed on the Stock Exchange. All existing Shares rank equally in all respects.

## 3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

- (a) As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company and according to the register of interest kept by the Company under section 336 of the SFO, the parties (other than a Director or chief executive of the Company) which had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any members of the Enlarged Group were as follows:

- (i) Interests in the Shares:

Name	Capacity	Number of shares in which interested other than under equity derivatives <sup>(3)</sup>	Percentage of issued share capital of the Company (%)	Long/Short position
CPDL	Beneficial Owner	1,996,500,000	34.37	Long
CPI Holding <sup>(1)</sup>	Interest of a controlled corporation	1,996,500,000	34.37	Long
	Beneficial owner	1,532,827,927	26.39	Long
CPI Group <sup>(2)</sup>	Interest of a controlled corporation	3,529,327,927	60.76	Long
HSBC Global Asset Management (Hong Kong) Limited	Investment Manager	291,838,000	5.02	Long

*Notes:*

- (1) CPI Holding is the beneficial owner of CPDL and therefore CPI Holding is deemed to be interested in the Shares owned by CPDL for the purposes of the SFO.
  - (2) CPI Group is the beneficial owner of CPI Holding and therefore CPI Group is deemed to be interested in the Shares owned by CPI Holding for the purposes of the SFO.
  - (3) CPI Group, CPI Holding and CPDL do not have any interest in the equity derivatives of the Company.
- (ii) Substantial shareholders of other members of the Enlarged Group

So far as was known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following persons, were, directly or indirectly, interested in 10% or more of the share capital carrying rights to vote at general meetings of the following members of the Enlarged Group:

<b>Member of the Enlarged Group</b>	<b>Name of substantial shareholder of member</b>	<b>Percentage of shares held (%)</b>
Wuhu Electric Power	CPI Holding	100
Wuhu Shaoda	Wuhu Electric Power	100

- (b) Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any members of the Enlarged Group.

#### 4. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, save as the options granted to our Directors under the two share option schemes pursuant to the written resolutions passed by the Shareholders on 24 August 2004 as disclosed in the table below, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies to be notified to the Company and the Stock Exchange.

Name of Director	Capacity	Name of company in which interests are held	Date of grant	Number of underlying shares interested under physically settled equity derivatives	Percentage of issued share capital of the Company (%)	Long/Short position
LI Xiaolin	Beneficial owner	the Company	18 September 2004, 4 April 2007 and 2 July 2008	4,386,500	0.0755	Long
GU Dake	Beneficial owner	the Company	18 September 2004, 4 April 2007 and 2 July 2008	2,949,300	0.0508	Long
GUAN Qihong	Beneficial owner	the Company	2 July 2008	400,000	0.0069	Long
WANG Zichao	Beneficial owner	the Company	18 September 2004, 4 April 2007 and 2 July 2008	2,044,000	0.0352	Long

## 5. DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors were materially interested in any contract or arrangement entered into by any member of the Enlarged Group since 31 December 2012, being the date to which the latest published audited financial statements of the Group were made up or subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Enlarged Group.

## 6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors have entered into any service contract, nor is there any proposed service contract with any member of the Enlarged Group which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

## 7. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors and their associates had any competing interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

<b>Name of Director</b>	<b>Position(s) with the Company</b>	<b>Other interests</b>
LI Xiaolin	Chairman, Executive Director and Chief Executive Officer	Deputy general manager of CPI Group; chairman of CPI Holding; chairman of China Power New Energy Development Limited and director of Companhia de Electricidade de Macau
GU Dake	Executive Director and President	Executive director and general manager of CPI Holding
GUAN Qihong	Non-executive Director	Director of CPI Holding, director of China Power International Financial Co., Ltd.* (中電投財務有限公司) and supervisor of the Capital Market and Equity Management Department of CPI Group
WANG Zichao	Non-executive Director	General manager of the branch company of CPI Group in Hunan and the chairman of Wu Ling Power Corporation*, a 63%-owned subsidiary of the Company

## 8. EXPERT AND CONSENT

The following is the qualifications of Quam Capital which has given its opinions or advice contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Quam Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Quam Capital had given and had not withdrawn its written consents to the issue of this circular with the inclusions of its statements, letters, reports and opinion (as the case may be) as set out in this circular and references to its name in the form and context in which it is included.

As at the Latest Practicable Date, Quam Capital did not have any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Quam Capital did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Company were made up.

The letter from Quam Capital dated 30 October 2013 is given on pages 20 to 44 for incorporation herein.

## **9. DIRECTORS' INTERESTS IN ASSETS**

None of the Directors or the expert named in paragraph 7 of this Appendix had since 31 December 2012 being the date to which the latest published audited financial statements of the Group were made up, any direct or indirect interest in any assets which have been acquired or disposed of by or leased any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

## **10. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, the date to which the latest published audited accounts of the Group were made up.

## **11. LITIGATION**

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

**12. MISCELLANEOUS**

- (a) The company secretary of the Company is Ms. Cheung Siu Lan, who is a fellow member of The Hong Kong Institute of Chartered Secretaries, The Institute of Chartered Secretaries and Administrators in the United Kingdom, Hong Kong Institute of Certified Public Accountants and CPA Australia.
- (b) The registered office of the Company is Suite 6301, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (c) Computershare Hong Kong Investor Services Limited, the share registrar of the Company, is located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) This circular has been prepared in both English and Chinese. In the case of inconsistency, the English text of this circular will prevail over the Chinese text.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at Suite 6301, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours (Saturdays and public holidays excepted) from the date of this circular until 15 November 2013 (both dates inclusive):

- (a) the memorandum and articles of association of the Company;
- (b) the Acquisition Agreement;
- (c) the Assets Management Agreement;
- (d) the Seventh Supplemental Assets Management Agreement;
- (e) the Huainan Mining Coal Supply Agreement;
- (f) the Huainan Mining Coal Supply Supplementary Agreement;
- (g) the Shanghai Chinacoal East China Coal Supply Agreement;
- (h) the written consent of Quam Capital;
- (i) the letter dated 30 October 2013 from Quam Capital, the text of which is set out in this circular; and
- (j) the letter dated 30 October 2013 from the Independent Board Committee, the text of which is set out in this circular.

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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### CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

### 中國電力國際發展有限公司

*(incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**(Stock Code: 2380)**

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of China Power International Development Limited (the “Company”) will be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong, Hong Kong on 15 November 2013 at 11:00 a.m., for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

**“THAT**

- (a) the conditional acquisition agreement (the “Acquisition Agreement”) dated 12 October 2013 between China Power International Holding Limited (“CPI Holding”), a substantial and controlling shareholder of the Company, and the Company, pursuant to which, inter alia, CPI Holding agreed to sell, and the Company agreed to purchase 100% of the equity interests of Wuhu Electric Power Generating Company Limited (“Wuhu Electric Power”) for a total consideration of RMB1,450,000,000, of which 15% (or RMB217,500,000) is to be payable by way of cash payment and 85% (or RMB1,232,500,000) to be satisfied by allotment and issue of 541,710,619 new shares of HK\$1.00 each in the share capital of the Company (the “Consideration Shares”), credited as fully paid at HK\$2.88 each, a copy of which has been produced to the meeting marked “A” and has been initialled by the chairman of this meeting for the purpose of identification, and all the transactions contemplated thereunder, be and are hereby generally and unconditionally approved, confirmed and ratified;
- (b) the allotment and issue of the Consideration Shares pursuant and subject to the terms and conditions of the Acquisition Agreement be and are hereby approved; and the directors of the Company be and are hereby generally and specially authorised to allot and issue the Consideration Shares accordingly; and
- (c) any director(s) of the Company be and is/are hereby authorised to enter into any agreement, deed or instrument and/or to execute and deliver all such documents and/or do all such acts on behalf of the Company as he may consider necessary, desirable or expedient for the purpose of, or in connection with, (i) the implementation and completion of the Acquisition

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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Agreement and transactions contemplated thereunder, (ii) any amendment, variation or modification of the Acquisition Agreement and the transactions contemplated thereunder and (iii) the allotment and issue of the Consideration Shares, upon such terms and conditions as the board of directors of the Company may think fit.”

By order of the Board  
**China Power International Development Limited**  
**Li Xiaolin**  
*Chairman & Chief Executive Officer*

Hong Kong, 30 October 2013

*Registered Office:*

Suite 6301, 63/F  
Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is holding two or more shares of the Company is entitled to appoint more than one proxy to attend and vote in his stead. If more than one proxy is appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be valid, this form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude any member of the Company from attending the meeting or any adjournment thereof and voting in person if such member so wishes and in such event, the form of proxy will be deemed to be revoked.
3. As required by the Listing Rules, the vote will be taken by poll. The Chairman of the above meeting will demand a poll on the resolution set out in the notice of the above meeting in accordance with the articles of association of the Company.
4. As at the date of this notice, the directors of the Company are: executive directors Li Xiaolin and Gu Dake, non-executive directors Guan Qihong and Wang Zichao and independent non-executive directors Kwong Che Keung Gordon, Li Fang and Tsui Yiu Wa, Alec.

***Please note that refreshments will not be served at the Extraordinary General Meeting.***